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 DEFENSE INTELLIGENCE AGENCY
 WASHINGTON, D.C. 20301

6 FEB 1985

DDI- 00762-85

S-7504/DE-4

TO: Mr. Robert M. Gates
 Chairman, National Intelligence Council
 Central Intelligence Agency
 Washington, D.C.

SUBJECT: Request for Update of NIE

1. (S) Admiral James D. Watkins Chief of Naval Operations has requested an update of NIE 3-2-84 "World Oil Market Outlook: Key Political and Economic Dimensions". The request stems from studies submitted to the CNO suggesting a recent change in the oil market outlook. Indications are that at the present time the oil market is the most unstable it has been since late 1979, with OPEC probably no longer capable of exerting much influence.
2. (S) Since the publication of the recent NIE on the "World Oil Market Outlook" there has been a significant downward pressure on the price of oil. Additionally, this NIE does not address itself to the national security concerns expressed by Admiral Watkins. His major concern is the availability of resources, in the event of a conventional war with the Soviet Union, and the vulnerability of major sources of oil to Soviet air strikes. DIA believes that an estimate covering the CNO's concerns would prove highly useful to a wide variety of policy makers as well as defense planners.
4. (S) I would appreciate your giving serious consideration to this request.

FOR THE DIRECTOR:

William E. Cooper, Jr.
 WILLIAM E. COOPER, JR.
 Major General, U.S. Army
 Deputy Director for Foreign
 Intelligence

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 Declassify on OADR

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